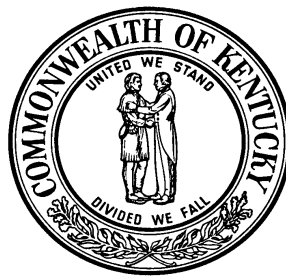


**REPORT OF THE AUDIT OF THE
KENTON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
KENTON COUNTY SHERIFF

For The Year Ended
December 31, 2008

The Auditor of Public Accounts has completed the Kenton County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Kenton County Sheriff had total receipts of \$4,920,827, which was a \$638,884 increase from the prior year. Except for reimbursed expenses in the amount of \$655,959, the sheriff paid twenty-five percent (25%) of receipts to the Kenton County Fiscal Court in the amount of \$1,066,217. This was an increase of \$138,644 from the prior year. In addition, disbursements of the seventy-five percent (75%) account increased by \$176,245.

Deposits:

The Sheriff's deposits were insured and collateralized by the Federal Deposit Insurance Corporation.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ralph Drees, Kenton County Judge/Executive
The Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Kenton County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements, referred to above, present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and County fund with the State Treasurer for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ralph Drees, Kenton County Judge/Executive
The Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Kenton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 17, 2010

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Fees for Services:

Drug Enforcement Agency/US Marshall Reimbursement	\$	15,068
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State Fees for Services:

House Bill 452	\$	184,879
Kentucky Law Enforcement Foundation Program Fund		87,805
Sheriff Security Services		311,115
Transporting Prisoners		22,780
		606,579

Fiscal Court		390
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County Clerk		1,513
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Commission on Taxes		3,237,171
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Sheriff's 10% Fee		358,672
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Sheriff's \$5 fee		18,220
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Fees Collected for Services:

Auto Inspections	54,300	
Accident and Police Reports	14	
Serving Papers/Warrants	578,626	
Carrying Concealed Deadly Weapon Commissions	15,740	648,680

Transports/Conveying Prisoners		17,999
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Summons-Witnesses/Jurors		3,786
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Other Revenues:

Inquirers/Miscellaneous	208	
Bad Check Paid/Charges	2,365	
Expense Reimbursements/Refunds	10,005	
Interest Earned	171	12,749

Total Revenues		4,920,827
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The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Net Revenues		\$ 4,920,827
Payments to State Treasurer:		
75% Operating Fund	\$ 3,854,610	
25% County Fund	<u>1,066,217</u>	<u>4,920,827</u>
Balance Due at Completion of Audit		<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES KORZENBORN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2008

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2008	\$ 90,586	\$	\$ 90,586
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	3,854,610		3,854,610
Fees Paid to State - County Funds (25%)		1,066,217	1,066,217
Total Funds Available	3,945,196	1,066,217	5,011,413
<u>Expenditures</u>			
Kenton County Fiscal Court		1,066,217	1,066,217
Sheriff's Statutory Maximum	100,456		100,456
Sheriff's Training Incentive	3,525		3,525
Personnel Services-			
Deputies' Salaries	1,829,594		1,829,594
Employee Benefits-			
Social Security	134,261		134,261
Retirement	30,241		30,241
Hazardous Duty	440,865		440,865
Health Insurance	270,682		270,682
Life Insurance	712		712
Workers Compensation Insurance	20,338		20,338
Contracted Services-			
Advertising	208		208
Retained Attorney	19,608		19,608
Materials and Supplies-			
Office Supplies and Materials	44,155		44,155
Uniforms	41,795		41,795
Ammunition	1,508		1,508

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES KORZENBORN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

<u>Expenditures</u> (Continued)	75% Operating Fund	25% County Fund	Totals
Other Charges-			
Dues & Subscriptions	\$ 6,412	\$	\$ 6,412
Postage	5,143		5,143
Physical-Drug Test	1,173		1,173
Training	11,382		11,382
Parking	14,364		14,364
Telephones	6,099		6,099
Cellular Phones	15,594		15,594
Deputies Supplies	7,446		7,446
Liability Insurance	104,304		104,304
Publications	269		269
Data Processing	54,976		54,976
Miscellaneous	16,768		16,768
Auto Expenses-			
Gasoline	92,809		92,809
Maintenance and Repairs	43,002		43,002
Capital Outlay-			
Vehicle	122,236		122,236
Total Expenditures	3,439,925	1,066,217	4,506,142
Fund Balance - December 31, 2008	\$ 505,271	\$ 0	\$ 505,271

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent for the first six months and 29.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Kenton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Kenton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 4. Reimbursement Agreements

The Sheriff entered into a task force agreement with the U.S. Department of Justice, Drug Enforcement Administration. Funds received in conjunction with this agreement are to be used to fund the overtime for a full time deputy assigned to the DEA Cincinnati Task Force. Funds received under this agreement totaled \$15,068 for the year ended December 31, 2008.

Note 5. Additional Bank Accounts

A. Federal Asset Forfeiture Account

The Sheriff maintained two asset forfeiture accounts during 2008. One account was for federal asset forfeiture. The beginning balance as of January 1, 2008 was \$108,848. Funds in the amount of \$42,672 were received from federal agencies for funds recovered in drug related expenditures. Interest of \$23 was earned on the account. The account had expenditures of \$60,858, leaving a balance of \$90,685 as of December 31, 2008.

B. Non-federal Asset Forfeiture Account

The Sheriff also maintained an asset forfeiture account for non-federal asset forfeitures. The beginning balance as of January 1, 2008 was \$6,545. Funds in the amount of \$5,625 were received from non-federal agencies for funds recovered in drug-related investigations. Interest of \$2 was earned on the account. The account had expenditures of \$3,870, leaving a balance of \$8,302 as of December 31, 2008.

C. Donated Equipment Account

The Sheriff maintained an account for donated equipment. The balance in the account as of January 1, 2008 was \$4. There was no activity for the year. Therefore; the balance as of December 31, 2008 was \$4.

D. Return of Fugitive Account

The Sheriff maintains an account for funds reimbursed by the state for return of fugitives. The balance at January 1, 2008 was \$5,265. Funds received during the year totaled \$46,820. Interest earned was \$1. The account had disbursements of \$47,286 leaving a balance of \$4,800 at December 31, 2008.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 5. Additional Bank Accounts (continued)

E. Discretionary Account

The Sheriff maintains a discretionary account which is permitted per KRS. 64.345(2). These funds are to cover expenses related to special training and travel related to homeland security emergencies, academy graduations, retirements, state and national sheriff's conventions, and extraordinary office expenses in amounts authorized by the approving authority. There was a zero balance as of January 1, 2008. Funds of \$3,693 were transferred in from the 75% account. Expenditures totaled \$3,436 leaving a balance of \$257 at December 31, 2008. Any remaining funds in this account at the end of the term (December 31, 2010) will be turned over to the 75% account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Kenton County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated March 17, 2010. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kenton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Kenton County Sheriff's financial statements as of December 31, 2008, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Kenton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 17, 2010

